



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Overview of 2007-08 Operating and Capital Outlay Budget and Set Public Hearing for May 30, 2007, to Review and Receive Comments Regarding City of Lodi 2007-08 Operating and Capital Outlay Budget (CM)

MEETING DATE: May 8, 2007

PREPARED BY: Kirk J. Evans, Budget Manager

RECOMMENDED ACTION: Receive staff's presentation and discussion regarding the FY 2007-08 Budget and set a public hearing for May 30, 2007, to review and receive comments regarding the City of Lodi 2007-08 Operating and Capital Outlay Budget.

BACKGROUND INFORMATION: For the third year in a row, the proposed recommended General Fund budget is balanced without requiring the use of General Fund reserves. This was accomplished in FY 2005-06, 2006-07 and will also be accomplished in FY 2007-08. The combination of moderate revenue growth, significant restraint in spending, and the application of best current municipal management practices has enabled staff to generate a balanced budget.

General Fund

General Fund preliminary revenue estimates for FY 2007-08 are \$44,873,225 which is balanced against an expenditure projection of \$44,873,225. This will leave the estimated 6/30/2007 unreserved fund balance of \$3.5 million unchanged as of 6/30/2008. This positions the City close to half way towards the goal of a 15% cushion (fund balance).

General Fund Revenue Highlights

- 1) **Sales Tax** - sales tax revenues in the City of Lodi, and as a general trend in cities across California, are flattening out. Total sales tax receipt estimates for the current FY 2006-07 are \$10,229,000 (\$7,595,000 sales & use tax plus \$2,634,000 in-lieu sales tax). For FY 2007-08 receipts are estimated to be \$10,209,000 (\$7,575,000 sales & use tax plus \$2,634,000 in-lieu sales tax). This decline would be more severe if not for the mitigating factor of the in-lieu sales tax remaining relatively firm. FY 2008-09 sales tax receipts will decline unless new retail establishments are brought on line.
- 2) **Property Tax** - Property tax revenues increased by \$1,150,600 (13.7%) between FY 2005-06 and 2006-07. Property tax receipt estimates for the current FY 2006-07 are \$9,525,600. According to the San Joaquin County Assessor's Office, the City of Lodi can feasibly project a 6.0% growth in secured property taxes for FY 2007-08. For FY 2007-08 receipts are estimated to

APPROVED: 
Blair King, City Manager

be \$10,097,136. Although the City has seen increases in property taxes over the past few years, the rate of growth relative to these increases is clearly declining. For FY 2008-09, there is zero growth projected in property tax revenues. Hopefully in that year the City will not experience an actual decline in revenue, but the potential does exist.

- 3) In-Lieu Vehicle License Fees – FY 2006-07 actual receipts are projected to be \$4,919,470. The budgeted amount for FY 2007-08 is \$5,165,444, which is a 5.0% increase.
- 4) Newlither revenues – San Joaquin County municipal court will be leasing space in the Police Facility. Rent of this space in the amount of \$194,000 is included in the FY 2007-08 budget. Investment earnings in the amount of \$1,380,427 have been applied to appropriate accounts throughout the budget. Investment earnings will increase as cash reserves increase. The Budget Committee has recommended an adjustment to the Cable Television Franchise percentage. The recommendation is to increase the rate from 3.0% to 5.0%. A surcharge of \$5,000 has been included for the treatment of wastewater from local wineries.
- 5) Community Facilities District – Any city may establish a Mello-Roos Community Facilities District (CFD) to fund services. Funding can be for police protection, fire protection, parks, libraries, and other cultural facilities. The district may also recover expenses needed to form the CFD and administer the annual special taxes. It is estimated this revenue source will provide as much as \$1.2 million in additional revenue for future years.

General Fund Expenditure Highlights

- 9 Police Department mandated vacancies will be filled. The City of Lodi is committed to Public Safety and maintains these services as a high priority. Actual expenditures for Police over the past few fiscal years has increased as shown:

2003-04	2004-05	2005-06	Projected 2006-07	Budgeted 2007-08
\$9,352,696	\$12,416,590	\$12,743,786	\$13,835,161	\$14,353,370

The percentage share of total general fund expenditures for Police over the past few fiscal years has increased as follows:

2003-04	2004-05	2005-06	Projected 2006-07	Budgeted 2007-08
24.7%	30.1%	29.9%	32.3%	32.0%

At the present time two mandated vacancies remain in the Police Department - one Dispatcher Jailer position and one Police Records Clerk I/II position. These positions will be filled, leaving no mandated vacancies. This will allow for 100% staffing in the Department at a level of 117 positions and result in a return to earlier year's staffing levels. The 117 figure does not include Community Improvement Officer positions that may be transferred into the Police Department - this is discussed further below. At the time of this writing, there are five Police Officer vacancies. These are not mandated vacancies and can be filled at any time. Streamlined recruitment procedures which now provide Police with much greater autonomy in hiring employees will ensure staffing in this department is maintained at the highest level possible.

- 9 Fire Department. As with Police, the City of Lodi is committed to Fire and maintains this service as a high priority. Actual expenditures for Fire over the past several fiscal years has increased as shown:

2003-04	2004-05	2005-06	Projected 2006-07	Budgeted 2007-08
\$5,922,631	\$8,085,097	\$8,263,635	\$8,700,219	\$9,012,340

The percentage share of total general fund expenditures for Fire over the past several fiscal years has increased as follows:

2003-04	2004-05	2005-06	Projected 2006-07	Budgeted 2007-08
15.7%	19.6%	19.4%	20.3%	20.1%

The Police and Fire Departments combined currently comprise 52.6% of total General Fund expenditures.

There are no mandated vacancies in the Fire Department. This allows for 100% staffing in the Department at a level of 64 positions. This is the greatest number of positions in the Department ever. At the time of this writing, there are three Fire vacancies – a Fire Division Chief, Fire Engineer, and Firefighter. These are not mandated vacancies and can be filled at any time.

- **Community Improvement move to Police Department.** There is a proposal to restructure the Community Improvement Division. This would include costs associated with removing an administrative clerk and two code enforcement officer positions from the Community Development Department and establishing an administrative clerk and three code enforcement officer positions in the police Department. This change would add \$339,350 to the Police Department budget.
- **Hutchins Street Square and Parks & Recreation,** The City Council will be asked if there is a desire to consider the possible efficiencies of a combined Parks & Recreation and Hutchins Street Square Department.
- **Debt Service Payment - \$1,687,000.** Certificates of Participation (COPs) were issued in 2002 to provide financing for the construction of the new Police Facility and to refund outstanding 1995 and 1996 COPs. These COPs were sold to finance the Downtown Revitalization and Cherokee Lane Beautification projects, as well as construction of the Hutchins Street Square Conference and Performing Arts Center. Annual payments - for FY 2007-08 the amount is \$1,687,000 - must be made on the 2002 COP until October, 2031. This represents an ongoing demand on the General Fund for quite an extended period of time.

Electric Fund

The Electric Fund preliminary estimated 6/30/2007 fund balance is \$5,571,823. Preliminary revenue estimates for FY 2007-08 are \$76,982,257 with an expenditure projection of \$75,454,770. This will contribute \$1,527,487 towards an estimated 6/30/2008 fund balance of \$7,099,310.

- **Energy Cost Adjustment (ECA)** - An ECA will be incorporated into electric rates to ensure that sufficient revenue is generated to cover any increases in electricity costs over the course of FY 2007-08 and beyond.
- **Avoidance of line extensions costs** - the savings realized by charging developers the amount it costs to service homes will be as much as \$400,000 to \$500,000 per year.
- **Payment in Lieu of Taxes** – past City policy provided that the Electric Utility, Water fund and Wastewater fund may transfer up to 12 percent of each enterprise fund's revenues to the general fund as payment in-lieu of taxes (PILOT). City Council approved a new policy on 2/7/2007 limiting increases in the EUD PILOT to changes in the number of customers. In FY 2006-07 the Electric Utility PILOT was budgeted at 10.6% of revenue. This percentage will decline with the passage of time since customer growth does not increase as quickly as revenue growth.

Water Fund

The Water Fund preliminary estimated 6/30/2007 fund balance is \$534,780. Preliminary revenue estimates for FY 2007-08 are \$18,963,700 with an expenditure projection of \$16,740,530. This will contribute \$2,223,170 towards an estimated 6/30/2008 fund balance of \$2,757,950.

Wastewater Fund

The Wastewater Fund preliminary estimated 6/30/2007 fund balance is \$1,757,400. Preliminary revenue estimates for FY 2007-08 are \$39,066,020 with an expenditure projection of \$38,424,330. This will contribute \$641,690 towards an estimated 6/30/2008 fund balance of \$2,399,090.

Streets Fund

The Streets Fund preliminary estimated 6/30/2007 fund balance is \$3,819,850. Preliminary revenue estimates for FY 2007-08 are \$4,847,014 with an expenditure projection of \$6,239,110. This will reduce the 6/30/2007 fund balance by \$1,392,096 to produce an estimated 6/30/2008 fund balance of \$2,427,754.

Vehicle Replacement Fund

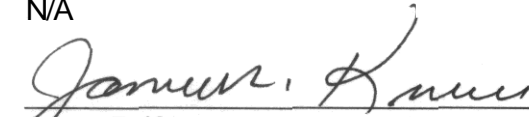
The Vehicle Replacement Fund preliminary estimated 6/30/2007 fund balance is \$628,380. Preliminary revenue estimates for FY 2007-08 are \$630,230 with an expenditure projection of \$244,000. This will contribute \$386,230 towards an estimated 6/30/2008 fund balance of \$1,014,610.

Library Fund

The Library Fund preliminary estimated 6/30/2007 fund balance is \$602,080. Preliminary revenue estimates for FY 2007-08 are \$1,738,990 with an expenditure projection of \$1,749,760. This will reduce the 6/30/2007 fund balance by \$10,770 to produce an estimated 6/30/2008 fund balance of \$591,310. Note that this expenditure projection does not include a proposed \$2.2 million Library Renovation.

FISCAL IMPACT: N/A

FUNDING AVAILABLE: N/A


James R. Krueger,
Deputy City Manager


Kirk J. Evans
Budget Manager

KJE
Attachments

cc: City Attorney

Overview of 2007-08 Operating and Capital Outlay Budget

Overview of 2007-08 Operating and Capital Outlay Budget

Highlights - The Headlines

- General Fund, Electric Utility, Street Fund - Revenues balanced against Expenses
(General Fund \$44,873,000 - soft number)
 - For the Third Year in a Row General Fund Does Not Require Use of Reserves
 - General Fund Reserves Continue Upward Trend - Still Short of Goal
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Overview of 2007-08 Operating and Capital Outlay Budget

- Traditional General Fund Revenues are Flat
 - Sales Tax Estimated to Decline by \$20,000 –
(FY 06-07 \$10,229,000, FY 07-08 \$10,209,000)
 - Property Tax Revenue will Grow Moderately, Increase by \$571,536
 - First Time Court Rental Fees, \$194,000 in New Revenue
-

Overview of 2007-08 Operating and Capital Outlay Budget

- Increased Reserves Provide a Base for New Investment Earnings, \$1,380,000
 - CFD will soon produce new revenue, Estimates are in Excess of \$1.2 million
 - Entrepreneurial Revenues Important to City's Financial Health
 - Pressure on Budget from Salary Demands, Heighten Expectations, Deferred Maintenance
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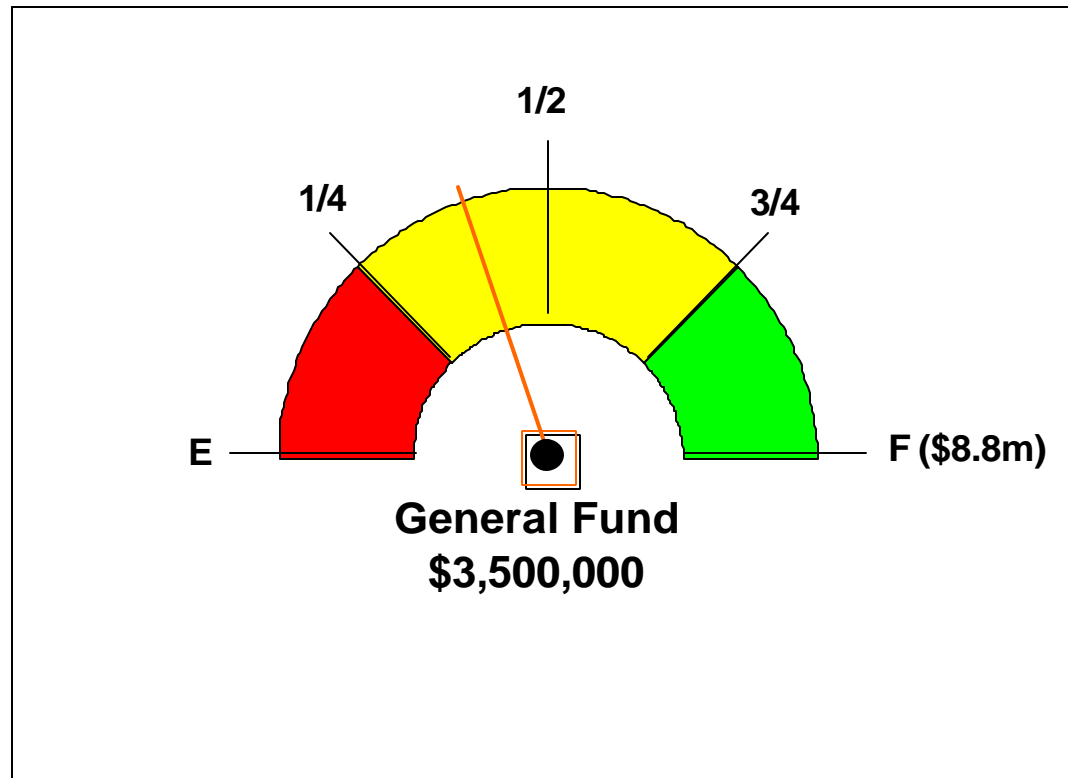
Overview of 2007-08 Operating and Capital Outlay Budget

- Police Department is Biggest General Fund Budget, \$14,353,000 or 32% of the General Fund
 - Fire Department Budget increases by \$312,121, now represents 20.1% of the General Fund
 - Public Safety Represents 52.1% of the Entire General Fund, Total Expenditures \$23,365,340. Property and Sales Tax \$20,306,136.
 - City Still Paying Off Debt for Police Station, Downtown Revitalization, and Hutchins Street Square - \$1,687,000
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Overview of 2007-08 Operating and Capital Outlay Budget

- City continues to reduce Electric Utility Transfer to General Fund
 - Policy Issues Addressed Via the Budget
 - City Council Will be Asked to Decide Priority Use of CDBG
 - Community Center / Parks & Recreation Organization to be looked at
 - Code Enforcement Organization to be examined
-

Overview of 2007-08 Operating and Capital Outlay Budget – General Fund





***Please immediately confirm receipt
of this fax by calling 333-6702***

CITY OF LODI
P. O. BOX 3006
LODI, CALIFORNIA 95241-1910

ADVERTISING INSTRUCTIONS

SUBJECT PUBLIC HEARING TO REVIEW AND RECEIVE COMMENTS REGARDING
CITY OF LODI 2007-08 OPERATING AND CAPITAL OUTLAY BUDGET

PUBLISH DATE: SATURDAY, MAY 12, 2007


LEGAL AD

TEAR SHEETS WANTED: Three (3) please

SEND AFFIDAVIT AND BILL TO: RANDI JOHL, CITY CLERK
City of Lodi
P.O. Box 3006
Lodi, CA 95241-1910

DATED: TUESDAY, MAY 8, 2007

ORDERED BY: RANDI JOHL
CITY CLERK


JENNIFER M. PERRIN, CMC
DEPUTY CITY CLERK

DANA R. CHAPMAN
ADMINISTRATIVE CLERK

Verify Appearance of this Legal in the Newspaper – Copy to File

Faxed to the Sentinel at 369-1084 at 10:55am (time) on 5/9/07 (date) 2 (pages)
LNS _____ Phoned to confirm receipt of all pages at _____ (time) _____ JLT _____ DRC _____ JMP (initials)



DECLARATION OF POSTING

PUBLIC HEARING NOTICE TO REVIEW AND RECEIVE COMMENTS REGARDING CITY OF LODI 2007-08 OPERATING AND CAPITAL OUTLAY BUDGET

On Friday, May 11, 2007, in the City of Lodi, San Joaquin County, California, a Public Hearing Notice to review and receive comments regarding City of Lodi 2007-08 Operating and Capital Outlay Budget (attached and marked as Exhibit A) was posted at the following locations:


Lodi Public Library
Lodi City Clerk's Office
Lodi City Hall Lobby
Lodi Carnegie Forum

I declare under penalty of perjury that the foregoing is true and correct.

Executed on May 11, 2007, at Lodi, California.

ORDERED BY:

RANDI JOHL
CITY CLERK


JENNIFER M. PERRIN, CMC
DEPUTY CITY CLERK

DANA R. CHAPMAN
ADMINISTRATIVE CLERK



CITY OF LODI

Carnegie Forum
305 West Pine Street, Lodi

NOTICE OF PUBLIC HEARING

Date: May 30, 2007

Time: 6:00 p.m.

EXHIBIT A

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on **Wednesday, May 30, 2007**, at the hour of 6:00 p.m., or as soon thereafter as the matter may be heard, the City Council will conduct a public hearing at the Carnegie Forum, 305 West Pine Street, Lodi, to consider the following matter:

- a) Review and receive comments regarding City of Lodi 2007-08 Operating and Capital Outlay Budget

Information regarding this item may be obtained in the City Manager's Office, 221 West Pine Street, Lodi, (209) 333-6700. All interested persons are invited to present their views and comments on this matter. Written statements may be filed with the City Clerk, City Hall, 221 West Pine Street, 2nd Floor, Lodi, 95240, **at** any time prior to the hearing scheduled herein, and oral statements may be made at said hearing.

If you challenge the subject matter in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice or in written correspondence delivered to the City Clerk, 221 West Pine Street, at or prior to the close of the public hearing.

By Order of the Lodi City Council:

Randi Johl
City Clerk

Dated: May 8, 2007

Approved as to form:

D. Stephen Schwabauer
City Attorney